



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Presentation of financing options for outstanding Electric Utility Variable Rate Debt Obligation Certificates of Participation (\$46.7 million) and authorization for City Manager to procure necessary services related to restructuring these obligations.

MEETING DATE: April 2, 2008

PREPARED BY: Deputy City Manager

RECOMMENDED ACTION: Receive presentation on financing options for outstanding Electric Utility outstanding variable rate debt obligations and authorize City Manager to procure financing services including bond counsel, underwriting services, letter of credit or other credit enhancement facility, and other costs as necessary.

BACKGROUND INFORMATION: The Electric Utility has approximately \$46.7 million of outstanding Variable Rate Debt Obligations (VRDOs), which were issued in January 2002. This type of debt offers the holders the opportunity for early redemption of their certificates. As a result of financial market conditions, some of the holders of these VRDOs have exercised their right to redeem these certificates. At this time, there are \$2.5 million of these certificates that have been redeemed and not remarketed by the city's agent (Citigroup). These COPs were redeemed in early March and there has been no additional redemptions of these securities.

In early March the City of Lodi engaged its financial advisor, Lamont Financial Services, to explore alternatives and recommend possible solutions to reduce the potential additional costs associated with these early redemptions. There are several courses of action that are possible to address this emerging issue.

All options and the associated costs and resulting debt service scenarios were not available at the time of this communication. Staff will review the various elements of the financing structures available for the VRDOs on April 2nd along with a recommendation to pursue one of the alternatives or to defer until a future meeting pending final determination of costs or other factors needed to make a decision on this issue.

FISCAL IMPACT: Not Applicable

FUNDING AVAILABLE: Not Applicable

Kirk Evans, Budget Manager

James R. Krueger, Deputy City Manager

APPROVED: _____
Blair King, City Manager